

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of:

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| APPLICATION OF MOUNTAIN UTILITIES,) | |
| INC. FOR AUTHORITY TO APPLY FOR) | |
| LOAN FUNDS FROM ANY STATE OR) | |
| GOVERNMENTAL AGENCY AND ISSUANCE) | CASE NO. 7858 |
| OF CERTIFICATE OF CONVENIENCE AND) | |
| NECESSITY TO CONSTRUCT AND RE-) | |
| STORE ITS LINES AND FACILITIES) | |
| WITH SUCH FUNDS AND TO BORROW) | |
| FROM SAID AGENCIES) | |

O R D E R

On May 20, 1980, Mountain Utilities, Inc., filed its duly verified application requesting a certificate of convenience and necessity for the restoration of its existing gas system and authorization to borrow \$929,054 at an interest rate of 5.125% from the Federal Economic Development Administration (EDA) through the Kentucky Department for Local Government. The Applicant proposed to use the proceeds from the borrowing to finance the proposed construction and for the refinancing or payment of existing debts including gas purchases.

A hearing was held in this matter on July 15, 1980, in the Commission's offices in Frankfort, Kentucky, at which time there appeared no party of interest other than the Applicant.

Thereafter, on September 19, 1980, the Applicant filed an amended application requesting that the amount of the proposed borrowing be reduced from \$929,054 to \$700,000 as this is the amount now available to it through the Kentucky Department for Local Government's Gas System Restoration Project Program.

Service Line Ownership

Information supplied as a result of questions asked at the hearing of July 15, 1980, indicates that as a part of the restoration of the gas system, the Applicant must replace the service lines to and through the outlet riser. For the Applicant to pay for these lines and to include the cost of these lines in its rate base for the purpose of setting any future rates would constitute a deviation from the provisions of 807 KAR 50:030

(10) (h) which provides that the customer shall have the responsibility of laying the pipe from the curb stop to the place of consumption.

The Commission having considered all evidence of record is of the opinion and finds that granting the Applicant the authority to deviate from this Commission regulation is in the best interest of the customers as the safety of the system will be greatly improved. The Commission is further of the opinion that the handling of the cost in this manner is the most economical method for Mountain Utilities' customers and should be approved.

However, the Commission wishes to apprise the Company of the fact that the responsibility and costs of maintaining the lines are inherent with the authority to own the lines.

FINDINGS AND ORDER

The Commission, having carefully considered all evidence of record, is of the opinion and FINDS that:

(1) Mountain Utilities, Inc., suffered a line loss for the year ended December 31, 1979, of 29% and that such line loss not only represents a potential source of danger to the consumers but also makes it impossible for the Applicant to remain solvent.

(2) The proposed construction and renovation, which must be begun immediately in order that substantial construction can be completed this construction season, will eliminate or greatly reduce the excessive line loss. The correction of this problem is necessary to assure continued and safe gas service for the consumers of Mountain Utilities, Inc. It is therefore in the public interest and should be approved.

(3) Any construction deviations from the proposed plans and specifications, which could adversely affect service to any consumer, or safety to the public should be subject to the prior approval of this Commission.

(4) The design, fabrication, installation, testing, operation and maintenance of all gas piping shall be done under the supervision of one whose credentials are known and are acceptable to the Energy Regulatory Commission.

(5) Installation and replacement of gas piping shall be performed only by a qualified installer or fitter, who is experienced in such work, familiar with all precautions required, and has complied with all requirements of applicable regulations.

(6) Within sixty (60) days of the date of substantial completion of the construction authorized herein, the Applicant should require the Engineer to furnish this Commission with a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the plans and specifications.

(7) The Applicant's present financial condition is such that it will be unable to continue operating without the proposed loan, as it is currently unable to either pay its indebtedness or obtain further credit.

(8) The proposed borrowing by the Applicant of \$700,000 from the federal Economic Development Administration through the Kentucky Department for Local Government is for a lawful object within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purpose.

The Commission therefore ORDERS that:

(1) Mountain Utilities, Inc., be and it is hereby granted a certificate of convenience and necessity to reconstruct and renovate its gas system.

(2) The proposed construction shall be performed in accordance with the applicable Federal and State Regulations.

(3) Any construction deviations from the proposed plans and specifications, which could adversely affect service to any consumer, or safety to the public shall be subject to the prior approval of this Commission.

(4) For the reasons set forth on page 4 of this Order, Mountain Utilities, Inc., be and it hereby is authorized to own the service lines to and through the outlet riser and to include the cost of these service lines in its Rate Base for the purpose of setting rates.

(5) Mountain Utilities, Inc., be and it hereby is authorized to borrow from the federal Economic Development Administration through the Department for Local Government the sum of \$700,000 at an interest rate of 5.125%.

(6) The funds authorized herein shall be used only for the purposes of renovating and reconstructing its system and paying the indebtedness set out in the record.

(7) The Applicant shall submit monthly reports to the Commission setting forth in detail the status of the proposed renovation and reconstruction as well as the status of the funds authorized for said construction.

(8) The Applicant shall submit quarterly financial statements to the Commission until such time as the Commission is assured as to the financial stability of the Applicant.

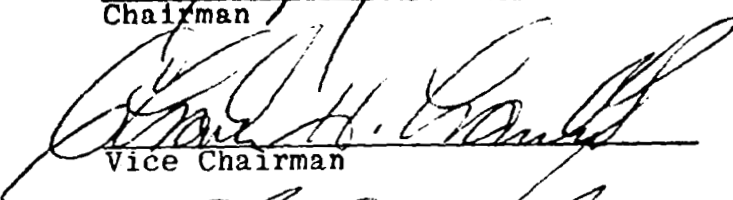
(9) The Company shall require the Engineer to furnish this Commission, within sixty (60) days of the date of substantial completion, a copy of the "As-Built Plans" and a certification that the construction has been satisfactorily completed in accordance with the plans and specifications.

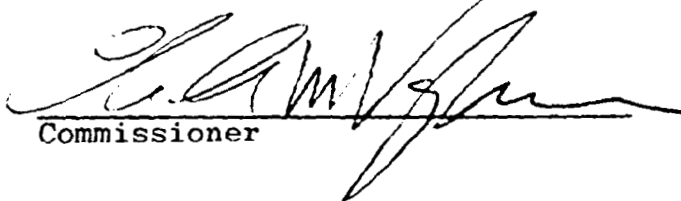
Nothing contained herein shall be deemed a finding of value or a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the borrowings authorized herein.

Done at Frankfort, Kentucky, this the 20th day of October,
1980.

ENERGY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary